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Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 IO-13 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-01 INR-07 NEA-10 NSAE-00 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 L-03 H-02 PA-02

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TO SECSTATE WASHDC IMMEDIATE 9032
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USMISSION EC BRUSSELS
AMEMBASSY COPNEHAGEN
AMEMBASSY DUBLIN
AMCONSUL FLORENCE
USMISSION GENEVA
AMVONSUL GENOA 1144
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMCONSUL MILAN
AMCONSUL NAPLES
AMEMBASSY OTTAWA
AMCONSUL PALERMO
AMEMBASSY PARIS
USMISSION OECD PARIS
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AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
AMCONSUL TRIESTE
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E.O. 11652: N/A
TAGS: EFIN, IT
SUBJECT: ANDREOTTI DRAFT PROGRAM

/SUMMARY/. ALL PAPERS JULY 23 CARRY BRIEF EXTRACT OF ANDREOTTI'S 56-PAGE DRAFT PROGRAM WHICH WAS PRESENTED DURING YESTERDAY'S MEETINGS WITH THE PARTIES OF THE "CONSTITUTIONAL ARC." FULL TEXT HAS NOT YET BEEN PUBLISHED. THE TITLE OF THE DOCUMENT IS INDICATIVE OF ITS COMPREHENSIVE BUT BROAD-BRUSH TREATMENT OF SOCIAL, ECONOMIC AND ORGANIZATIONAL PROBLEMS: "IDEAS FOR THE GOVERNMENT PROGRAM." AFTER A BRIEF INTRODUCTION IN WHICH ANDREOTTI EMPHASIZED HIS INTENTION TO DEMONSTRATE "COMMON DENOMINATORS ON WHICH ONE CAN ESTABLISH SUFFICIENT CONSENSUS," A SERIES OF "PROGRAMATIC IDEAS/ FOLLOW, BROKEN DOWN IN FIVE MAJOR AREAS: ADMINISTRATIVE ORGANIZATION, LEGAL PROBLEMS, ECONOMIC POLICY, SOCIAL POLICY AND FOREIGN POLICY. LARGE PART OF PROGRAM IS DEVOTED TO ECONOMIC ISSUES. MAIN OBJECTIVES OF ECONOMIC POLICY ARE DESCRIBED AS REDUCTION IN INFLATION, CONTAINMENT OF BALANCE OF PAYMENTS DEFICIT, DEFENSE OF LIRA EXCHANGE RATE AND PROMOTION OF GREATER DEGREE OF EFFICIENCY OF ECONOMIC SYSTEM, BOTH REGARDING PRODUCTION AND EMPLOYMENT. STABILIZATION PROGRAM WOULD BE ADEOPTED WITHIN FRAMEWORK OF MEDIUM TERM ECONOMIC POLICY STRATEGY THROUGH USE OF TAX AND EXPENDITURE POLICIES, MONETARY AND CREDIT POLWCIES AND IMPROVED INDUSTRIAL AND AGRICULTURAL POLICIES. HIGHLIGHTS OF ANDREOTTI PROGRAM FOLLOW.

/END SUMMARY/.

1. /ADMINISTRATIVE ORGANIZATION/

-NEED TO KEEP TO SCHEDULE ALQADY SET (120 DAYS) TO COMPLETE THE PRESENT REGIONAL DECENTRALIZATION PROGRAM (BY SEPTEMBER).
- REFORM OF THE INTERNAL SECURITY FORCES (SID). (NOTE, HOWEVER, THAT NO DETAILS WERE SUPPLIED.)
- GREATER USE OF THE NATIONAL COUNCIL ON THE ECONOMY AND LABOR (CNEL), INCLUDING ESTABLISHMENT OF A COMMITTEE THROUGH WHICH TRADE UNIONS MAY VERIFY PRIVATE SECTR SOCIAL AND LABOR
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AGREEMENTS.
- REVISION OF REGULATIONS ON MILITARY DISCIPLINE.
- ESTABLISHMENT WITHIN TWO MONTHS OF NORMS FOR THE OPERATION OF PRIVATE RADIO/TV BROADCASTING TO PREVENT PRESENT "CHAOTIC PROLIFERATION."

2. /LEGAL PROBLEMS/:

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- CONTINUATION OF ONGOING REFORM OF LEGAL CODES
(PENAL, PENAL PROCEDURES, CIVIL, AND CIVIL PROCEDURES)
WITHIN THE FIVE-YEAR LIFETIME OF CURRENT LEGISLATURE.
- REFORM OF LEGAL SYSTEM.
- REORGANIZATION OF LEGAL STRUCTURE.

3. /SOCIAL POLICY/:

- EXAMINATION WITH "SOCIAL FORCES" OF FACTORS CON-
TRIBUTING TO LABOR COST INCREASES AND PRODUCTIVITY
REDUCTIONS, TO INCLUDE STUDY OF AUTOMATIC WAGE ADJUSTGENTS,
WAGE SUPPLEMENT PAYMENTS AND UNEMPLOYMENT INSURANCE.
- ACKNOWLEDGMENT OF NEED TO CREATE MORE JOBS,
PARTICULARLY IN THE MEZZOGIORNO.
- NEGOTIATION OF SALARY INCREASES THROUGH FREE
COLLECTIVE BARGAINING BETWEEN SOCIAL PARTNERS TO ASSURE
BEST CONDITIONS FOR INVESTMENTS AND EMPLOYMENT.
- RESOLUTION OF PROBLEMS OF LABOR MOBILITY, ABSENTEEISM,
AND HOLIDAYS SCHEDULED DURING THE WORK WEEK.
- PRESENTATION OF A DRAFT LAW TO REFORM THE NATIONAL
HEALTH SERVICE.

4. /FOREIGN POLICY/:

- ACKNOWLEDGEMENT OF BROAD CONSENSUS AMONG ALL POLITICAL PARTIES
ON THE GENERAL OUTLINES OF ITALIAN FOREIGN POLICY.
- FIRM ACCEPTANCE OF POLICY OF DETENTE, WHICH IS TO BE
PURSUED "PRAGMATICALLY AND REALISTICALLY BEYOND IDEOLOGICAL
DIFFERENCES."
- MEMBERSHIP IN NATO WHICH GUARANTEES ITALIAN SECURITY AND
DEVELOPMENT OVER TIME BF CALM DIALOGUE WITFAST.
- EEC MEMBERSHIP TO BE REGARDED AS CORNERSTONE OF
ITALIAN FOREIGN POLICY; THE 1978 EUROPEAN PARLIAMENTARY
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ELECTIONS THROUGH UNIVERSAL SUFFRAGE ARE THE "BEST
GUARANTEE" OF THE CONSTRUCTION OF EUROPE ON AN EQUAL AND
DEMOCRATIC BASIS.
- ACCENTUATION OF ITALY'S MEDITERRANEAN OUTLOOK,
BOTH WITHIN THE FRAMEWORK OF THE EEC (EURO-ARAB DIALOGUE,
EC CONTRIBUTIONS TO MIDEAST PEACE, FURTHERANCE OF ECONOMIC
TIES AND AGREEMENTS) AND AS PART OF THE NORTH-SOUTH DIALOGUE,
OFFERING SYMPATHETIC HELP WITH REGARD TO PROBLEMS OF THE
DEVELOPING NATIONS.

5. /ECONOMIC POLICY/: PROGRAM AIMS AT REDUCTION IN 1975
BUDGET DEFICIT AS PERCENTAGE OF GNP BY 2/3 BY 1979.
FORECAST CASH BUDGET TO BE IN BALANCE ON CURRENT EXPENDITURES
WITHIN THREE YEARS. MOST OF REDUCTION IN DEFICIT WOULD BE
THROUGH INCREASE IN TAX BURDEN AND THROUGH INCREASES IN PUBLIC

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SERVICE ARIFFS. A REDUCTION IN REAL TERMS OF PUBLIC EXPENDI-
TURES OR A REDUCTION IN RATIO OF PUBLIC EXPENDITURES TO GNP
WOULD NOT SEEM REALISTIC. MAXIMUM EFFORT ON EXPENDITURE
SIDE SHOULD BE AIMED AT ARRESTING RATE OF INCREASE IN
EXPENDITURES AND AT INCREASING PRODUCTIVITY OF SUCH
EXPENDITURES.

A. THIS PUBLIC DEFICIT WILL BE REDUCED THROUGH /INCREASED
REVENUES/ BY
- REDUCED TAX EVASION THROUGH REVISED JUDICIAL
PROCEDURES WHICH WOULD ALLOW SWIFT IMPOSITION OF PENALTIES
INCLUDING IMPRISONMENT;
- SELECTIVE AUDITS USING NET WORTH TAXING CRITERIA WHICH THE
COMPUTERIZATION OF TAX ROLLS WILL FACILITATE WHEN OPERATIONAL;

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O R 231850Z JUL 76
FM AMEMBASSY ROME
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SUBJECT: ANDREOTTI DRAFT PROGRAM

- INCREASED TAX BASE THROUGH LEGISLATED INCLUSION OF CAPITAL GAINS AND REAL ESTATE;
- REDUCTION IN TAX BENEFITS AND RECHANNELLING OF DERIVED INCOME TO LOCAL GOVERNMZNTS;
- COOPERATION OF LOCAL AUTHORITIES IN TAX ASSESSMENT;
- GRADUALLY ADJUSTED TAX RATE STRUCTURES TO INCREASE PROGRESSIVITY ON MEDIUM AND HIGH INCOMES TO AVERAGE EUROPEAN LEVEL;
- ADJUSTED PUBLIC SERVICE RATES MORE IN LINE WITH OPERATIONAL COSTS.

B. /PUBLIC EXPENDITURES/ WILL BE ATTACKED THROUGH
- PUBLIC ADMINISTRATION PERSONNEL COSTS ADJUSTED TO EFFECT FUNCTPONAL HOMOGENEITY AND FIX CEILING ON SPREAD BETWEEN HIGHEST AND LOWEST SALARIES;
- HIGH LEVEL WAGES AND AUTOMATIC INCREASES TEMPORARILY FROZEN AND REDIRECTION OF SAVED COSTS INTO PRODUCTIVE INVESTMENTS;

- RESTRUCTURED PENSION PAYMENTS TO ELIMINATE INEQUITIES ACCRUING AT MINIMAL PENSION LEVELS;

- MECHANISMS DIRECTED TOWARD CONTROLLING THE EXPLOSION OF HEALTH EXPENDITURES.

C. THE /RESOURCES THUS LIBERATED/ WOULD BE AIMED TOWARDS
- INCREASED INVESTMENT IN PUBLIC WORKS TO 5-6 PERCENT OF NATIONAL PRODUCT COMPARED TO 3 PERCENT IN RECENT PAST.

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D. /STATE SUPPORT TO REGIONAL AND LOCAL GOVERNMENTS/
SHOULD BE RESTRUCTURED BY:
- GRADUALLY INCREASED FUNDS TO SAME AND MODIFICATION OF
SOME STATE ACCOUNTING RULES IN ORDER TO ESTABLISH GREATER
CONTROL OVER IMPLEMENTATION OF PUBLIC WORKS;
- PROVISION OF NEW BODY TO DETERMINE AMOUNTS AND PURPOSES OF
TRANSFER PAYMENTS FROM THE STATE TO LOCAL GOVERNMENTS.
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E. /STRUCTURAL REFORM OF LOCAL GOVERNMENT FINANCES/
SHOULD BE ACCOMPLISHED THROUGH:
- ASSUMPTION BY STATE OF PAST LOCAL GOVERNMENT DEBT AND
MULTI-YEAR CONSOLIDATION OF DEBT;
- CONCENTRATION OF CREDITS EXTENDED TO LOCAL GOVERNMENTS IN
APPROPRIATE BODY CAPABLE OF APPLYING NECESSARY PREDETERMINED
CRITERIA;

- RESTORATION OF SOMZ TAX AUTONOMY TO LOCAL GOVERNMENT IN
ORDER TO FINANCE ABOUT ONE-THIRD OF NEEDED EXPENDITURES;

- A THREE-YEAR FREEZE ON HIRING WHILE AT THZ SAME TIME
INCREASING THE LABOR MOBILITY.

F. ON SPECIAL CASE OF /SOUTHERN DEVELOPMENT (MEZZOGIORNO)/,
PROGRAM REITERATES NEED TO MOVE FORWARD ON AUTHORITY OF PAST
LEGISLATION WHICH REQUIRES:

- REORGANIZATION OF CERTAIN MANAGERIAL BODIES;

- ASSIGNMENT OF CLEAR PRIORITIES TO THE AGRICULTURAL SECTOR;

- CREATION OF AND ASSISTANCE TO SMALL AND MEDIUM SIZED
INDUSTRIES;

- INSURANCE THAT THE SPECIAL PRIORITIES SET UP FOG THE
SOUTH ARE TAKEN INTO CONSIDERATION WHEN OTHER MEASURES
ARE ADDRESSED.

G. /AGRICULTURAL SECTOR/ TO BE ASSISTED THOURGH:
- IMPLEMENTATION OF COMPLEMENTING MEASURES TO THOSE
PREVIOUSLY SET UP TO FACILITATE AGRICULTURAL CREDIT AND
COOPERATIVES;
- FORMULATION OF A REAL FOOD PLAN WHICH WILL ALLOW BETTER
FORECASTING OF NATIONAL NEEDS.

H. /EMPLOYMENT OF YOUTH/ MUST BE ADDRESSED THROUGH:
- ESTABLISHMENT OF APPRENTICENSHIPS WITH INDUSTRY UNDER
AD HOC CONTRACTS AT LESSER SALARIES;

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- PROFESSIONAL TRAINING COURSES ACCOMMODATED TO AREA NEEDS;

- PROVISION OF SOME PUBLIC SERVICE JOBS FOR SPECIAL DUTIES.

I. STRUCTURAL ADJUSTMENTS MUST TAKE PLACE IN SOME AREAS
OF /PUBLIC INVESTMENT/ BY:

- EMPLOYMENT OF THE FAIR RENTAL APPROACH TO PERMIT LOW
INCOMZ FAMILIES TO RENT AND PROVISION OF LOW COST AND
COOPERATIVE HOUSING TO PERMIT LOW INCOME FAMILIES TO BUY;

- REHABILITATION OF EXISTING HOUSING;

- INCREASED ACTIVITY TO ASSIST TRANSPORTATION INDUSTRY AND
ENERGY (INCLUDING NUCLEAR);

- AN OVERHAULED STRUCTURE FOR PROVIDING HOUSING FINANCING
BOTH FOR THE SHORT-TERM AS WELL AS THZ MEDIUM AND LONG
TERM.

J. ON THE /BALANCE OF PAYMENTS/ SIDE, POLICY WILL BE DIRECTED
TOWARD:

- IMPROVED ECONOMIC AND SOCIAL CLIMATE;
- A MORE ACTIVE POLICY FOR REDUCING THE TRADE DEFICIT;
- AN AGRICULTURAL POLICYHWHICH, THROUGHHTHE MECHANISM OF THE EC,
WILL AIM TOWARDS REDUCING THE COSTS OX FOOD AND
AGRICULTURAL IMPORTS IN THE SHORT RUN AND RESOLVE
THE STRUCTURAL DEFICIT IN THE MEDIUM TERM;
- AN ENERGY CONSERVATION POLICY;
- INCREASED VALUE ADDED TAX TO DISCOURAGE CONSUMPTION OF NON-
ESSENTIAL GOODS;
- FURTHER INCENTIVES FOR REPATRIATIONOF CAPITAL;

- ASSURANCE OF THZ AVAILABILITY OF FOREIGN CREDIT WITHIN
FRAMEWORK OF GRADUAL CORRECTION OF ECONOMIC AND BALANCE
OF PAYMENTS PROBLEMS WITH AIM TOWARDS CONSOLIDATION OF EXISTING
DEBT AS WELL AS FOREIGN FINANCING FOR PRODUCTIVE INVESTMENT;
- A TOURISM PROMOTION PROGRAM FOR NEXT YEAR TO BE PLANNED
BY A NATIONAL TOURIST CONFERENCE WHICH WILL TAKE PLACE
WITHIN SIX MONTHS.
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K. /STATE HOLDING COMPANIES/ SHOULD BE DEALT WITH ON BASIS OF

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THE CONCLUSIONS REACHED BY THE CHIARELLI COMMISSION
WHICH, IN ESSENCE, WOULD ESTABLISH;
- CLEAR GOALS FOG STATE HOLDING COMPANIES;

- EFFICIENT MANAGEMENT WITHIN FRAMEWORK OF OPEN AND
COMPETITIVE MARKET;
- DIVERSIFICATION AND DECENTRALIZATION OF MANAGEMENT
RESPONSIBILITY.
L. /INDUSTRIAL POLICY/. POLICY WOQLD INCLUDE:
- PLACING SMALL AND MEDIUM INDUSTRY ON PAR WITH LARGE
INDUSTRY;
- PLAN FOR RESTRUCTURING OF INDUSTRY INCLUDING SECTORAL
PROGRAMS;
- UNIFICATION OF LEGISLATION FOR AIDING INDUSTRY;
- ADOPTION OF TIGHTER CONTROL OF PARLIAMENT OVER INDUSTRIAL
POLICY.VOLPE

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Message Attributes

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Disposition Approved on Date:
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Disposition Date: 01 JAN 1960
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TAGS: EFIN, IT, (ANDREOTTI, GIULIO)
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